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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE APPLICATION OF
UTILITY SOURCE, LLC, AN ARIZONA
CORPORATION, FOR A DETERMINATION
OF THE FAIR VALUE OF ITS UTILITY
PLANTS AND PROPERTY AND FOR
INCREASES IN ITS WATER AND
WASTEWATER RATES AND CHARGES
FOR UTILITY SERVICE BASED THEREON.

Docket No. WS-04235A-13-0331

Arizona Corporation Commission

DOCKETED

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NOTICE OF FILING

The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing the
Surrebuttal Testimony of Robert Mease and Jeffrey Michlik, in the above-referenced matter.

RESPECTFULLY SUBMITTED this 20th day of October, 2014.

Daniel W. Pozefsky
Chief Counsel

AN ORIGINAL AND THIRTEEN COPIES
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UTILITY SOURCE, LLC
DOCKET NO. WS-04235A-13-0331

SURREBUTTAL TESTIMONY
OF
ROBERT B. MEASE

ON BEHALF OF
THE
RESIDENTIAL UTILITY CONSUMER OFFICE

OCTOBER 20, 2014

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EXECUTIVE SUMMARY

Based on the Residential Utility Consumer Office's ("RUCO") analysis of Utility Source, LLC's ("Company") application for a permanent rate increase, filed with the Arizona Corporation Commission ("ACC" or "Commission") on September 17, 2013, RUCO recommends the following:

Cost of Capital / Cost of Equity –RUCO continues to recommend a cost of capital of 9.25 percent based on the preparation of three separate cost of capital methodologies that were presented in its direct testimony. RUCO continues to disagree with the 90 basis point risk premium adjustment that has been proposed by the Company.

INTRODUCTION

Q. Please state your name, position, employer and address.

A. My name is Robert Mease and I'm Chief of Accounting and Rates for the Residential Utility Consumer Office. ("RUCO") My business address is 1110 W. Washington Street, Suite 220, Phoenix, AZ.

Q. Have you previously provided testimony in this docket?

A. Yes. I provided direct testimony in this docket on September 4, 2014.

Q. What is the purpose of your surrebuttal testimony?

A. My surrebuttal testimony will address the Company's rebuttal comments related to my filing of Cost of Capital testimony as well as providing additional support for my recommendations. I will also comment on the Company's recommendations.

SUMMARY OF DIRECT TESTIMONY

Q. Can you please provide a summary of your direct testimony in this case?

A. Yes. RUCO recommended a weighted average cost of capital of 9.25 percent. My recommendation was based on preparing a Discounted Cash Flow Model (DCF), a Capital Asset Pricing Model (CAPM) and I also prepared a Comparable Earnings Analysis (CE).

1 **Q. Can you please comment on the Company's criticism of your DCF model?**

2 A. Yes. As Mr. Bourassa states in his testimony "the DCF model has a tendency to mis-
3 specify investors required rate of return when market value of common stock differs
4 significantly from its book value. The market-based DCF model will result in a total
5 annual dollar return on book common equity equal to the total annual dollar return
6 expected by investors only when market and book values are equal, but market
7 values and book values of common stocks are rarely at unity."¹

8
9 **Q. Do you agree with Mr. Bourassa's assertion?**

10 A. No. The relationship between market-to-book ratios and the cost of equity has long
11 been debated. It has been claimed that market based models, such as discounted
12 cash flow, are only applicable when the market value of a company's stock is
13 approximately equal to its book value. Others have argued that the market-to-book
14 ratio plays no role in the determination of the fair cost of common equity. This view
15 maintains that the differences in the actual construction of market price and book
16 value largely explain the difference in the two values. As a result, neither the
17 overearning myth that market to book of greater than one implies excessive returns
18 nor the underearning myth that market to book of greater than one understate the
19 cost of common equity are correct.

20
21
22
23

¹ Mr. Bourassa's Rebuttal Testimony, Page 23

Q. Did the Company question your calculations in preparing the DCF model?

A. Yes. Mr. Bourassa testifies that I did not provide an adequate explanation as to my 8.7 percent composite median that I used in my overall DCF calculation. As stated in my direct testimony my calculations were based on four indicators of (1) Years 2009-2013 earning retention; (2) Five year average in earnings per share; (3) Years 2014, 2015, and 2017 – 2019 projections of earnings retention; and (4) Years 2011 – 2013 to 2017 – 2019 projections of EPS, DPS, and BVPS. You can see my calculations on Surrebuttal Schedule RBM-3, page 1 of 1, Col. E, Line 20. When adding the median of the proxy group adjusted yield of 2.7 percent (Col. A) of RBM – 3, to perspective per share growth of 6.0 percent (Col. E) the result is 8.7 percent.

Q. Have you changed the original results of the DCF Model as presented in your direct testimony as compared to the your schedules included in this filing?

A. Yes. I have recalculated the results of my original DCF calculations from 8.68 percent to 8.71 percent.

Q. Did Mr. Bourassa criticize your CAPM model also?

A. Yes. I calculated the cost of equity in my CAPM to be 7.25 percent. Mr. Bourassa believes that my analysis is flawed in at least five respects. First, I incorrectly relied upon a historical risk-free rate; second, I relied on historical measures of the market risk premium rather than a forward looking market risk premium; third, the market risk premium is measured on market indices of the largest publicly traded companies and no additional risk premium is recognized for being a smaller company; fourth, I use a

1 historic geometric mean, which should not be used on a prospective model; and fifth,
2 I used total returns on long-term government bonds in completing the market risk
3 premium.

4
5 **Q. Do you concur with Mr. Bourassa's statement that your model is flawed?**

6 **A.** No. I will reiterate once again the components that were used when calculating the
7 cost of equity utilizing the CAPM.

8 Risk Free Rate - I use the yields on long-term Treasury bonds since this matches the
9 long-term perspective of the cost of equity analyses. Over this three-month period,
10 these bonds had an average yield of 3.47 percent.

11 Betas - The most recent Value Line betas have been used in my analysis for each
12 company in my proxy group.

13 Market Risk Premium - For the purpose of estimating the market risk premium, I
14 considered alternative measures of returns of the S&P 500 (a broad-based group of
15 large U.S. companies) and 20-year U.S. Treasury bonds. I compared the actual
16 annual returns on equity of the S&P 500 with the actual annual yields of U.S. Treasury
17 bonds. Schedule 6, of my direct testimony, shows the return on equity for the S&P
18 500 group for the period 1978-2012 (all available years reported by S&P). This
19 schedule also indicates the annual yields on 20-year U.S. Treasury bonds and the
20 annual differentials (*i.e.* risk premiums) between the S&P 500 and U.S. Treasury 20-
21 year bonds. Based upon these returns, I conclude that the risk premium from this
22 analysis is 6.6 percent. I next considered the total returns (*i.e.* dividends/interest plus
23 capital gains/losses) for the S&P 500 group as well as for long-term government
24

bonds, as tabulated by Morningstar (formerly Ibbotson Associates), using both arithmetic and geometric means. I considered the total returns for the entire 1926-2012 period, which are as follows:

	S&P 500	L-T Gov't Bonds	Risk Premium
Arithmetic	11.8%	6.1%	5.7%
Geometric	9.8%	5.7%	4.1%

I conclude from this analysis that the expected risk premium is about 5.47 percent (i.e. average of all three risk premiums: 6.6 percent from Schedule 6; 5.7 percent arithmetic and 4.1 percent geometric from Morningstar). I believe that a combination of arithmetic and geometric means is appropriate since investors have access to both types of means and presumably, both types are reflected in investment decisions and thus, stock prices and the cost of capital.

Q. What is your conclusion concerning the CAPM COE?

A. I have not adjusted cost of equity from my direct testimony and continue to recommend 7.25 percent using the CAPM analysis.

Q. In addition to calculating cost of equity using a DCF model and CAPM did you prepare an additional analysis?

A. Yes. While understanding that the CAPM model may have limitations I did prepare a comparable earnings analysis. The CE method is designed to measure the returns

1 expected to be earned on the original cost book value of similar risk enterprises, in
2 this case the proxy company's. While Utility Source is not a public company as is the
3 proxy group, it still provides additional support that the company will be earning a fair
4 rate of return. The analysis was prepared from the proxy companies that were used
5 in preparing both the DCF model and the CAPM.

6
7 **REVIEW OF COMPANY'S DIRECT AND SURREBUTTAL TESTIMONY**

8 **Q. Did Mr. Bourassa make a risk premium adjustment to his final cost of capital**
9 **calculation due to the size of Utility Source?**

10 A. Yes. While he states in his rebuttal testimony that he has not made a specific
11 adjustment for Utility Source, he goes on to say that "My recommendation of 11.0
12 percent, which is 70 basis points higher than the mid-point or my analysis of 10.3
13 percent, is conservative given the risks of an investment in USLLC."²

14
15 **Q. So he has included a risk premium?**

16 A. Yes. It appears that he has included a risk adjustment of 70 basis points.

17
18 **Q. Was the Company critical of Staff's reference to a study prepared by Ms. Annie**
19 **Wong that addressed the financial risk of smaller utility company's?**

20 A. Yes. According to Mr. Bourassa "Staff's witnesses have repeatedly trotted out this
21 one study to refute the notion that utilities like USLLC are more risky than the proxy
22

23
24 ² Mr. Bourassa's Rebuttal Testimony, Page 7

1 companies because they are considerably and significantly smaller." Mr. Bourassa
2 goes on to say that "Ms. Wong's work, and its questionable conclusions, have found
3 no greater audience than at public utility commissions where some party is trying to
4 justify an unreasonably low ROE for a utility that is not publicly traded."³
5

6 **Q. Does Mr. Bourassa refute the findings as presented by Ms. Wong?**

7 A. Yes. Ms. Wong's study has been criticized soundly according to Mr. Bourassa. As
8 his principle support Mr. Bourassa references an article published by Dr. Thomas M.
9 Zepp that concluded "when a stock is thinly traded, its stock price does not reflect the
10 movement of the market, which drives down the covariance with the market and
11 creates an artificially low beta estimate." "Thus, Ms. Wong's weak results were due
12 to a flawed analysis."⁴
13

14 **Q. Has Dr. Zepp presented testimony in any rate proceedings before the Arizona**
15 **Corporation Commission?**

16 A. Yes. Dr. Zepp has provided expert cost of capital testimony before the ACC on
17 several occasions. The most recent case being Arizona Water Company, in Docket
18 No. W-01445A-11-0310. Staff questioned Dr. Zepp's conclusions in five rate cases
19 he has provided cost of capital testimony. In all cases Dr. Zepp has recommended a
20 risk premium and in all five cases his recommended rate of return was not adopted.⁵
21

22 ³ Mr. Bourassa's Rebuttal Testimony, Page 19

23 ⁴ Mr. Bourassa's Rebuttal Testimony, Page 20

24 ⁵ Transcript, Volume V, Docket No. W-01445A-11-0310, Pages 913 to 920

1 **Q. Didn't Staff also ask Dr. Zepp if his recommendations, as testified to before the**
2 **ACC, had ever been adopted?**

3 A. Per Dr. Zepp when asked that very question by Staff his response was "No."⁶
4

5 **Q. What is your conclusion on Mr. Bourassa's referencing Dr. Zepps article as**
6 **published?**

7 A. While understanding that Dr. Zepp is a very well recognized expert in the field of
8 providing utility cost of capital testimony, relying on his article to refute Ms. Wong's
9 study, may also be flawed. As noted, the times that Dr. Zepp has provided testimony
10 in Arizona, his expert knowledge and recommendations have never been adopted.
11 This could very well mean that while he is an expert in his field his recommendations
12 and conclusions may be given little if any weight and not accepted in Arizona.
13

14 **Q. Did Mr. Bourassa prepare a CAPM in his analysis?**

15 A. Yes, a CAPM was prepared by Mr. Bourassa. In his analysis he used 30-year long
16 term Treasury bond rate of 4.40 percent. The Treasury yield as of October 1, 2014
17 was 3.12 percent and has continued to drop throughout the month. Mr. Bourassa
18 has overstated his yield rates significantly in his analysis and his cost of equity is
19 overstated as a well.
20
21
22

23 ⁶ Transcript, Volume V, Docket No. W-01445A-11-0310, Page 920
24

1 **Q. Can you please comment on Mr. Bourassa's preparation of the DCF model**
2 **included in his testimony?**

3 A. Yes. In reviewing his DCF model it appears that Mr. Bourassa has relied solely on
4 analyst's forecast of future earnings growth to forecast the DPS in his calculations.
5 Analysts have the tendency to be very optimistic in forecasting earnings and relying
6 only on analyst's projections of growth will inflate the DPS component of the model
7 and will has the effect of inflating the estimated cost of equity.

8
9 **Q. Mr. Mease, does this conclude your surrebuttal testimony on cost of capital**
10 **and rate of return for Utility Source, LLC?**

11 A. Yes it does.
12
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Utility Source, LLC
Test Year Ending December 31, 2012
Docket No. WS-04235A-13-0331

ATTACHMENT A

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RBM - 2	Cost of Capital Summary Calculations
RBM - 3	Discounted Cash Flow Model
RBM - 4	Capital Asset Pricing Model
RBM - 5	Comparable Earnings Comparison

WEIGHTED AVERAGE COST OF CAPITAL

Line No	DESCRIPTION	COST	WEIGHED COST
1	Long Tern Debt	\$ - \$	-
2			
3	Common Equity	9.25%	9.25%
4			
5	TOTAL CAPITALIZATION	9.25%	9.25%
6			
7			
8	References:		
9	RBM - 2, Ln 15		

Cost of Capital Summary Calculations

Line No		(A)
1	<u>DCF METHODOLOGY</u>	
2		
3	DCF - Water Company Single Stage Constant Growth Model	8.71%
4		
5	<u>CAPM METHODOLOGY</u>	
6		
7	CAPM - Water Company Estimate	7.24%
8		
9	<u>COMPARABLE EARNINGS</u>	9.75%
10		
11	AVERAGE OF THE THREE METHODS (Avg. Lines 3, 7 and 11)	8.55%
12		
13	PREMIUM ADJUSTMENT - See Testimony	0.70%
14		
15	FINAL COST OF EQUITY / WEIGHTED AVERAGE COST OF CAPITAL	9.25%
16		
17		
18	<u>References:</u>	
19	Column A - Ln 3	RBM - 3, Col. E, Line 20
20	Column A - Ln 7	RBM - 4, Col. E, Line 9
21	Column A - Ln 9	RBM - 5

[illegible]

C A P M

Line No	COMPANY	(A) RISK-FREE RATE	(B) BETA	(C) Risk Premium	(D) CAPM Rates	(E) CAPM COST OF EQUITY CAPITAL
1	American States Water Co.	3.33%	0.70 X	5.47%	=	7.16%
2	Aqua America, Inc.	3.33%	0.70 X	5.47%	=	7.16%
3	California Water Service Group	3.33%	0.70 X	5.47%	=	7.16%
4	Connecticut Water Service, Inc.	3.33%	0.65 X	5.47%	=	6.89%
5	Middlesex Water	3.33%	0.70 X	5.47%	=	7.16%
6	SJW Corporation	3.33%	0.80 X	5.47%	=	7.71%
7	York Water Company	3.33%	0.75 X	5.47%	=	7.43%
8						
9	Mean					7.24%
10						
11	Median					7.16%
12						
13						
14						
15						
16	<u>References:</u>					
17	Column (A) - Federal Reserve Selected Interest Rates (Weekly) - H.15 - Treasury Constant Maturities 20-year					
18	Column (B) - Value Line Investment Survey Ratings and Reports July 18, 2014					
19	Column (C) - See testimony					

PROXY UTILITIES

RATES OF RETURN ON AVERAGE COMMON EQUITY - COMPARABLE EARNINGS

COMPANY	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Value Line Water Group										
American States Water Co.	14.0%	11.7%	9.5%	10.0%	10.0%	9.4%	9.5%	10.2%	9.6%	10.5%
Aqua America, Inc.	11.0%	11.4%	11.2%	12.0%	11.8%	12.5%	14.2%	13.8%	13.0%	14.0%
California Water Service Group	10.4%	12.6%	10.6%	10.0%	12.6%	14.5%	11.0%	11.4%	10.3%	7.5%
Connecticut Water Service, Inc.	12.1%	12.5%	12.6%	12.7%	12.4%	12.3%	12.2%	12.4%	11.8%	13.3%
Middlesex Water	11.7%	12.6%	12.1%	12.0%	10.3%	11.2%	10.7%	10.2%	6.5%	9.0%
SJW Corporation	11.8%	11.8%	9.6%	10.8%	16.2%	12.0%	11.6%	11.1%	9.6%	9.5%
York Water Company	11.9%	12.6%	11.7%	10.7%	11.1%	10.9%	10.3%	10.3%	11.9%	11.5%
Mean	11.8%	12.2%	11.0%	11.2%	12.1%	11.8%	11.4%	11.3%	10.4%	10.8%
Median	11.8%	12.5%	11.2%	10.8%	11.8%	12.0%	11.0%	11.1%	10.3%	10.5%

Source: AUS Utility Reports and Value Line Investment Survey.

COMPANY	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Value Line Water Group										
American States Water Co.	9.6%	5.6%	8.0%	10.4%	8.2%	9.3%	7.2%	8.8%	9.0%	11.7%
Aqua America, Inc.	13.9%	12.3%	11.4%	11.5%	11.0%	10.0%	9.6%	9.6%	10.9%	11.8%
California Water Service Group	9.6%	8.7%	9.8%	9.3%	7.6%	4.9%	10.1%	7.4%	8.8%	8.5%
Connecticut Water Service, Inc.	11.6%	11.2%	11.4%	12.0%	7.5%	8.9%	9.2%	9.7%	8.8%	9.7%
Middlesex Water	9.8%	8.2%	8.3%	8.4%	8.6%	8.8%	8.8%	7.0%	9.0%	7.6%
SJW Corporation	9.4%	9.8%	11.3%	11.5%	18.2%	8.3%	11.2%	6.0%	9.6%	8.0%
York Water Company	16.7%	11.7%	12.2%	11.8%	10.5%	9.7%	9.4%	9.6%	10.0%	9.7%
Mean	11.5%	9.6%	10.3%	10.7%	10.2%	8.6%	9.4%	8.3%	9.4%	9.6%
Median	9.8%	9.8%	11.3%	11.5%	8.6%	8.9%	9.4%	8.8%	9.0%	9.7%

COMPANY	2012	1992-2001 Average	2002-2008 Average	2009-2012 Average	2013	2014	2016-2018
Value Line Water Group							
American States Water Co.	11.8%	10.4%	8.3%	10.3%	12.5%	12.0%	11.5%
Aqua America, Inc.	13.0%	12.5%	11.4%	11.3%	12.0%	12.0%	12.5%
California Water Service Group	9.8%	11.1%	8.6%	8.6%	7.0%	8.0%	9.5%
Connecticut Water Service, Inc.	11.2%	12.4%	10.3%	9.9%	9.0%	9.5%	8.5%
Middlesex Water	7.5%	10.6%	8.7%	7.8%	8.0%	8.5%	9.0%
SJW Corporation	8.6%	11.4%	11.4%	8.1%	8.5%	8.5%	8.5%
York Water Company	9.1%	11.3%	11.7%	9.6%	9.5%	10.0%	10.0%
Mean	10.1%	11.4%	10.0%	9.4%	9.5%	9.8%	9.9%
Median	9.8%	11.3%	9.9%	9.3%	9.0%	9.5%	9.5%

UTILITY SOURCE, LLC
DOCKET NO. WS-04235A-13-0331

SURREBUTTAL TESTIMONY
OF
JEFFREY M. MICHLIK

ON BEHALF OF
THE
RESIDENTIAL UTILITY CONSUMER OFFICE

OCTOBER 20, 2014

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EXECUTIVE SUMMARY - SURREBUTTAL

The Residential Utility Consumer Office ("RUCO") has reviewed Utility Source, LLC's ("Company") rebuttal testimony and has made several adjustments based on additional information provided by the Company. RUCO will address the Company's rebuttal issues for rate base, operating income, revenue requirement, and rate design testimonies.

Water Division:

The following are the Company's and RUCO's proposed rate base and adjusted operating income positions as filed in its direct, rebuttal, and surrebuttal testimonies for the Water Division.

Rate Base

Company Direct	Company Rebuttal	RUCO Direct	RUCO Surrebuttal
\$1,566,542	\$1,575,194	\$1,566,542	\$1,575,194

Adjusted Operating Income

Company Direct	Company Rebuttal	RUCO Direct	RUCO Surrebuttal
\$(8,265)	\$(5,885)	\$(8,998)	\$11,103

The following tables present the required gross revenue increase as filed by the Company and RUCO in their direct, rebuttal, and surrebuttal testimonies.

Required Dollar Increase in Gross Revenues

Company Direct	Company Rebuttal	RUCO Direct	RUCO Surrebuttal
\$228,447	\$226,783	\$155,605	\$136,091

Required Percentage Increase in Gross Revenues

Company Direct	Company Rebuttal	RUCO Direct	RUCO Surrebuttal
109.83%	109.99%	74.81%	66.00%

The Company is requesting a rate of return of 11.00 percent in its rebuttal testimony on its fair value rate base ("FVRB") of \$1,575,194. RUCO is proposing a rate of return of 9.25 percent on the FVRB of \$1,575,194.

Under RUCO's recommended rates, a residential 3/4-inch metered customer with an average usage of 4,123 gallons per month will pay \$59.01, which is \$20.43 more than the current \$38.58 or a 52.95 percent increase. By comparison, a residential 3/4-inch metered customer with an average usage of 4,123 gallons per month under the Company's proposed rates would be billed \$75.54, which is \$36.96 more than the current \$38.58 or an increase of 95.81 percent.

Wastewater Division:

The following are the Company's and RUCO's proposed rate base and adjusted operating income positions as filed in its direct, rebuttal, and surrebuttal testimonies for the Wastewater Division.

Rate Base

Company Direct	Company Rebuttal	RUCO Direct	RUCO Surrebuttal
\$830,945	\$825,856	\$830,945	\$825,856

Adjusted Operating Income

Company Direct	Company Rebuttal	RUCO Direct	RUCO Surrebuttal
\$(72,257)	\$(83,387)	\$(85,383)	\$(81,884)

The following tables present the required gross revenue increase as filed by the Company and RUCO in their direct, rebuttal, and surrebuttal testimonies.

Required Dollar Increase in Gross Revenues

Company Direct	Company Rebuttal	RUCO Direct	RUCO Surrebuttal
\$228,447	\$209,436	\$155,605	\$160,060

Required Percentage Increase in Gross Revenues

Company Direct	Company Rebuttal	RUCO Direct	RUCO Surrebuttal
162.23%	175.31%	135.28%	133.98%

The Company is requesting a rate of return of 11.00 percent in its rebuttal testimony on its fair value rate base ("FVRB") of \$825,856. RUCO is proposing a rate of return of 9.25 percent on the FVRB of \$825,856.

Under RUCO's recommended rates, a residential wastewater customer with an average usage of 4,123 gallons per month will pay \$57.30, which is \$33.23 more than the current \$24.08 or a 138.00 percent increase. By comparison, a residential wastewater customer with an average usage of 4,123 gallons per month under the Company's proposed rates would be billed \$74.91, which is \$50.83 more than the current \$24.08 or an increase of 211.13 percent.

Other Issues:

Standpipe

RUCO recommends that the Company file a yearly report by September 30th of each year, which shows the revenue generated by month from the Company's standpipe. Further, RUCO recommends that if the Company is over-earning it be addressed, trued-up, and any excess be refunded to ratepayers in the Company's next rate case.

Rate Case Expense Surcharge

RUCO, consistent with the language in Decision No. 73573, recommends that the Commission implement a rate case recovery surcharge of \$4.27¹ per customer for the Water Division and a rate case recovery surcharge of \$4.25 for the Wastewater Division with the surcharge remaining in place for either (1) a period of 36 months, or (2) until the Company has collected \$50,000 in rate case expense recovery from both Divisions, whichever comes first.

¹ Water Division - \$50,000 rate case expense / 325 customers / 36 months. Wastewater Division - \$50,000 rate case expense / 327 customers / 36 months.

1 **INTRODUCTION**

2 **Q. Please state your name for the record.**

3 A. My name is Jeffrey M. Michlik.

4

5 **Q. Have you previously filed testimony regarding this docket?**

6 A. Yes, I have. I filed direct testimony in this docket on September 4, 2014.

7

8 **Q. What is the purpose of your surrebuttal testimony?**

9 A. My surrebuttal testimony will address the Company's rebuttal positions,
10 proposals and comments pertaining to the adjustments RUCO
11 recommended in direct testimony. In addition, my surrebuttal testimony will
12 also include additional adjustments that RUCO is now recommending.

13

14 **Q. What areas will you address in your surrebuttal testimony?**

15 A. My surrebuttal testimony will address RUCO's recommended rate base,
16 operating income, revenue requirement, and rate design.

17

18 **Q. How is your surrebuttal testimony organized?**

19 A. My surrebuttal testimony is presented in four sections. Section I addresses
20 surrebuttal rate base adjustments. Section II addresses surrebuttal
21 operating income adjustments. Section III rate design and Section IV
22 addresses other issues.

23

24 **Q. Please identify the schedules that you are sponsoring in RUCO's**
25 **surrebuttal testimony.**

26 A. I am sponsoring surrebuttal schedules JMM-1 through JMM-17.

I. SURREBUTTAL RATE BASE ADJUSTMENTS

Q. Please summarize the number of rate base adjustments recommended by RUCO in its surrebuttal testimony.

A. RUCO is now recommending three rate base adjustments in its surrebuttal testimony.

Water Division

Q. Can you please identify the rate base adjustments along with the dollar amounts that RUCO is recommending for the Company's Water Division?

A. Yes, please see the table below that summarizes RUCO's recommended rate base adjustments:

Rate Base Adjustments (Net)

Adjustment No. / Description

1 – Adjustment to Accumulated Depreciation	\$9,919
2 – Adjustment to Accumulated Amortization of Contributions in Aid of Construction	(1,267)
3 – Not Used	<u>0</u>
RUCO Total Recommended Rate Base Adjustments	<u>\$8,652</u>

See Surrebuttal Schedule JMM-3.

Rate Base Adjustment No. 1 – Accumulated Depreciation

Q. Does RUCO accept the Company's accumulated depreciation adjustment?

A. Yes, as shown in schedule JMM-4.

Rate Base Adjustment No. 2 – Accumulated Amortization of Contributions in Aid of Construction ("CIAC")

Q. Does RUCO accept the Company's adjustment to CIAC?

A. Yes, as shown in schedule JMM-5.

Rate Base Adjustment No. 3 – Not Used

Wastewater Division

Q. Can you please identify the rate base adjustments along with the dollar amounts that RUCO is recommending for the Company's Wastewater Division?

A. Yes, please see the table below that summarizes RUCO's recommended rate base adjustments:

Rate Base Adjustments (Net)

Adjustment No. / Description

1 – Adjustment to Accumulated Depreciation	\$ 28
2 – Adjustment to Accumulated Amortization of Contributions in Aid of Construction	(4)
3 – Customer Security Deposits	<u>5,065</u>
RUCO Total Recommended Rate Base Adjustments	<u>\$5,089</u>
See Surrebuttal Schedule JMM-3.	

Rate Base Adjustment No. 1 – Accumulated Depreciation

Q. Does RUCO accept the Company's accumulated depreciation adjustment?

A. Yes, as shown in schedule JMM-4.

Rate Base Adjustment No. 2 – Accumulated Amortization of Contributions in Aid of Construction ("CIAC")

Q. Does RUCO accept the Company's adjustment to CIAC?

A. Yes, as shown in schedule JMM-5.

Rate Base Adjustment No. 3 – Customer Meter Deposits

Q. Does RUCO accept the Company's adjustment to Customer Meter Deposits?

A. Yes, as shown in schedule JMM-6.

II. SURREBUTTAL OPERATING INCOME ADJUSTMENTS

Q. Please summarize the number of operating income adjustments recommended by RUCO in its surrebuttal testimony?

A. RUCO is recommending 7 income adjustments in its surrebuttal testimony.

Water Division

Q. Can you please identify the operating income adjustments along with the dollar amounts that RUCO is recommending for the Company's Water Division?

A. Yes, please see the table below that summarizes RUCO's recommended operating income adjustments:

Operating Income Adjustments (Net)

Adjustment No. / Description

1 – Other Operating Revenue	\$(1,820)
2 – Water Testing Expense	7,733
3 – Rate Case Expense	10,000
4 – Miscellaneous Expense	4,116
5 – Depreciation Expense	637
6 – Property Expense	784
7 – Income Tax Expense	<u>(2,064)</u>
RUCO Total Recommended Operating Income adjustments	<u>\$19,386</u>

See Surrebuttal Schedule JMM-8.

Operating Income Adjustment No. 1 – Other Operating Revenue

Q. Does RUCO accept the Company's Other Operating Revenue adjustment?

A. Yes, as shown in schedule JMM-9.

Operating Income Adjustment No. 2 – Water Testing Expense

Q. Please explain RUCO's operating income adjustment No. 2?

A. Based on the direct testimony of Staff witness Michael Thompson, RUCO has adjusted the water testing expenses for the reason cited in Mr. Thompson's testimony.

1 **Q. Did the Company use one vendor (Western Technologies) for both its**
2 **water and wastewater testing?**

3 A. Yes.
4

5 **Q. Does the total on the Staff Engineering report reconcile to the General**
6 **Ledger?**

7 A. No. RUCO adjusted the January invoice from Western Technologies
8 downward by \$826 to remove testing expenses relating to the prior test
9 year, and made a downward miscellaneous adjustment of \$9 to reconcile
10 to the test year general ledger amount of \$13,776 for water and wastewater
11 testing expense. Stated another way, test year water testing expenses for
12 the water division should be \$236 and test year wastewater testing
13 expenses should be \$13,540.
14

15 **Q. What is RUCO's surrebuttal recommendation?**

16 A. Based on Staff's engineering report, RUCO recommends decreasing water
17 testing expense by \$7,733 from \$8,107 to \$374, as shown in RUCO
18 surrebuttal schedule JMM-10. The \$1,096 of map expense is already
19 included in a separate line item in general ledger account 675.5
20 Process/Bonds/Permits. Thus the \$374 plus the \$1,096 equals the \$1,470
21 recommended in Staff's engineering report for the water division.
22
23
24
25
26

Operating Income Adjustment No. 3 – Rate Case Expense

Q. Is RUCO recommending an adjustment to Rate Case Expense?

A. Yes. RUCO recommends the use of a rate case expense recovery surcharge as discussed in the other issues sections to recover rate case expense.

Operating Income Adjustment No. 4 – Miscellaneous Expense - Automobile Expense and Telephone Expense

Q. Did RUCO propose an adjustment to automobile expense or telephone expense in its direct testimony?

A. No. However, after reading the direct testimony of Staff witness Jorn Keller, RUCO agrees with these adjustments.

Q. What is RUCO's surrebuttal recommendation?

A. Based on Staff's testimony RUCO recommends reducing miscellaneous expense for the water division by \$4,116 (i.e. \$1,750 auto expense plus \$2,366 telephone expense) from \$19,976 to \$15,860, as shown in surrebuttal schedule JMM-12.

Operating Income Adjustment No. 5 – Depreciation Expense

Q. Did you explain RUCO's calculation of depreciation expense in direct testimony?

A. Yes.

Operating Income Adjustment No. 6 – Property Tax Expense

Q. Did you address RUCO's property tax adjustment in direct testimony?

A. Yes.

Operating Income Adjustment No. 7 – Income Tax Expense

Q. Did you address RUCO's income tax adjustment in direct testimony?

A. Yes.

Wastewater Division

Q. Can you please identify the operating income adjustments along with the dollar amounts that RUCO is recommending for the Company's Wastewater Division?

A. Yes, please see the table below that summarizes RUCO's recommended operating income adjustments:

Operating Income Adjustments (Net)

Adjustment No. / Description

1 – Other Operating Revenue	\$(1,820)
2 – Wastewater Testing Expense	(8,858)
3 – Miscellaneous Expense	4,116
4 – Rate Case Expense	10,000
5 – Not Used	0
6 – Property Expense	480
7 – Income Tax Expense	<u>(13,545)</u>
RUCO Total Recommended Operating Income adjustments	<u>\$(9,627)</u>

See Surrebuttal Schedule JMM-8.

Operating Income Adjustment No. 1 – Other Operating Revenue

Q. Does RUCO accept the Company's Other Operating Revenue adjustment?

A. Yes, as shown in schedule JMM-9.

Operating Income Adjustment No. 2 – Wastewater Testing Expense

Q. Please explain RUCO's operating income adjustment No. 2?

A. Based on the direct testimony of Staff witness Michael Thompson, RUCO has adjusted the wastewater testing expenses for the reason cited in Mr. Thompson's testimony.

Q. Did the Company, use one vendor (Western Technologies) for both its water and wastewater testing?

A. Yes.

Q. Does the total on the Staff Engineering report reconcile to the General Ledger?

A. No. RUCO adjusted the January invoice from Western Technologies downward by \$826 to remove testing expenses relating to the prior test year, and made a downward miscellaneous adjustment of \$9 to reconcile to the test year general ledger amount of \$13,776 for water and wastewater testing expense. Stated another way, test year water testing expenses for the water division should be \$236 and test year wastewater testing expenses should be \$13,540.

1 **Q. What is RUCO's surrebuttal recommendation?**

2 A. Based on Staff's engineering report RUCO, recommends increasing
3 wastewater testing expense by \$8,858 from \$5,669 to \$14,527, as shown
4 in RUCO surrebuttal schedule JMM-10.

5

6 **Operating Income Adjustment No. 3 – Rate Case Expense**

7 **Q. Is RUCO recommending an adjustment to Rate Case Expense?**

8 A. Yes. RUCO recommends the use of a rate case expense recovery
9 surcharge as discussed in the other issues sections to recover rate case
10 expense.

11

12 **Operating Income Adjustment No. 4 – Miscellaneous Expense - Automobile**
13 **Expense and Telephone Expense**

14 **Q. Did RUCO propose an adjustment to automobile expense or telephone**
15 **expense in its direct testimony?**

16 A. No. However, after reading the direct testimony of Staff witness Jorn Keller,
17 RUCO agrees with these adjustments.

18

19 **Q. What is RUCO's surrebuttal recommendation?**

20 A. Based on Staff's testimony RUCO recommends reducing miscellaneous
21 expense for the wastewater division by \$4,116 (i.e. \$1,750 auto expense
22 plus \$2,366 telephone expense) from \$13,152 to \$9,036, as shown in
23 RUCO surrebuttal schedule JMM-12.

24

25

26

1 **Operating Income Adjustment No. 5 – Not Used**

2
3 **Operating Income Adjustment No. 6 – Property Tax Expense**

4 Q. Did you address RUCO's property tax adjustment in direct testimony?

5 A. Yes.
6

7 **Operating Income Adjustment No. 7 – Income Tax Expense**

8 Q. Did you address RUCO's income tax adjustment in direct testimony?

9 A. Yes.
10

11 **III. Rate Design**

12 Q. Have you read the rebuttal testimony of Company witness Mr.
13 Bourassa and the direct testimony of Staff witness Mr. Keller?

14 A. Yes.
15

16 **Water Division**

17 Q. Do you have any comments?

18 A. Yes. Not surprisingly, Mr. Bourassa uses the old revenue stability argument
19 that the Company will not be able to recover its authorized return if too much
20 of the customers rate is recovered through the commodity rate and not
21 enough is recovered through the monthly minimum rate. Further, Mr.
22 Bourassa states that RUCO's rate design only recovers about 35 percent in
23 the monthly minimum.²
24
25

² See Rebuttal Testimony of Mr. Bourassa, page 19 line 20.

1 **Q. Can you put this into perspective?**

2 A. Yes. It is true that when you combine the 3/4 Inch Residential Customer,
3 the 3/4 Inch Commercial Customer, 2 Inch Commercial Customer, 2 Inch
4 Irrigation, and standpipe/bulk water customer(s) the rate design only
5 recovers 35 percent in the monthly minimum. However, the monthly
6 minimum recovered from the 3/4 Inch Residential Customer is
7 approximately 43.62 percent. The 3/4 Inch Residential Customer
8 represents over 75 percent of the Company's revenue.

9

10 **Q. Do you believe revenue stability is an issue in this case?**

11 A. No. First the difference in the monthly minimum is negligible less than 5
12 percent.³ Second, under RUCO's rate design customers have a greater
13 opportunity to conserve. Third RUCO's rate design sends the right price
14 signal that water is a scarce and precious commodity, and customers who
15 conserve are rewarded through a lower price and those that do not are
16 charged more.

17

18 **Q. Would you please summarize RUCO's surrebuttal recommended rate**
19 **design for the 3/4-inch residential customer?**

20 A. Yes. RUCO recommends a monthly minimum charge for a 3/4-inch
21 residential customer of \$29.00. No gallons are included in the monthly
22 minimum charge. RUCO recommends a residential water commodity rate
23 for the 3/4-inch residential customer of \$7.10 per thousand gallons for 1 to
24 3,000 gallons, \$13.08 per thousand gallons for 3,001 to 9,000 gallons, and

³ This holds true for the 3/4 inch residential customer, the Company proposes approximately 47.68 percent be recovered in the monthly minimum.

1 \$17.40 per thousand gallons for any consumption over 9,000 gallons. For a
2 complete schedule of rates see RUCO schedule JMM-16.

3
4 **Q. Did RUCO prepare a typical bill analysis for a 3/4 inch customer based**
5 **on its surrebuttal testimony?**

6 A. Yes. Please see schedule JMM-17.

7
8 **Q. What is the rate impact on a 3/4 inch meter residential customer using**
9 **an average consumption of 4,123 gallons?**

10 A. Under RUCO's recommended rates, a residential 3/4-inch metered
11 customer with an average usage of 4,123 gallons per month will pay \$59.01,
12 which is \$20.43 more than the current \$38.58 or a 52.95 percent increase.
13 By comparison, a residential wastewater customer with an average usage
14 of 4,123 gallons per month under the Company's proposed rates would be
15 billed \$75.54, which is \$36.96 more than the current \$38.58 or an increase
16 of 95.81 percent.

17
18 ***Wastewater Division***

19 **Q. Do you have any comments?**

20 A. Yes. RUCO is not sure if Staff is recommending a flat rate for the residential
21 wastewater customer of \$65 with no commodity or if this was a mistake.
22 Even though RUCO does not agree with the Company's wastewater rate
23 design, it appears to be better than the rate design recommended by Staff.

1 **Q. Can you put this into perspective?**

2 A. Yes. The current rates are based on 1,000 gallon usage, with no monthly
3 minimum. Even the Company gives the customer some ability to control
4 their wastewater bill, albeit a small one, with approximately 70 percent of
5 the revenue recovered in the monthly minimum and 30 percent in the
6 commodity rate for the residential wastewater customer. Staff's wastewater
7 design does not provide the wastewater customer an opportunity to
8 conserve. Both the Staff and Company give customers who pour more
9 water down the drain a break. Under Staff's more aggressive rate design if
10 the customer uses more than 12,000 gallons you get a refund, so much for
11 conservation. In addition, Staff's rate design assigns the same commodity
12 rate to all commercial and industrial customers, in other words there is no
13 difference between laundromat and restaurant customers.

14

15 **Q. Would you please summarize RUCO's surrebuttal recommended rate**
16 **design for the residential wastewater customer?**

17 A. Yes. RUCO recommends a commodity rate of \$13.90⁴ per 1,000 gallons for
18 the residential wastewater customer. For a complete schedule of rates see
19 RUCO schedule JMM-16.

20

21 **Q. Did RUCO prepare a typical bill analysis for a residential wastewater**
22 **customer based on its surrebuttal testimony?**

23 A. Yes. Please see schedule JMM-17.

24

⁴ Rounded

1 **Q. What is the rate impact on a residential wastewater customer using an**
2 **average consumption of 4,123 gallons?**

3 A. Under RUCO's recommended rates, a residential wastewater customer
4 with an average usage of 4,123 gallons per month will pay \$57.30, which is
5 \$33.23 more than the current \$24.08 or a 138.00 percent increase. By
6 comparison, a residential 3/4-inch metered customer with an average
7 usage of 4,123 gallons per month under the Company's proposed rates
8 would be billed \$74.91, which is \$50.83 more than the current \$24.08 or an
9 increase of 211.13 percent.

10
11 **IV. Other Issues**

12 ***Standpipe***

13 **Q. Do you have anything additional to add to your surrebuttal testimony**
14 **in regards to revenues generated by the new standpipe?**

15 A. Yes. The Company stated in a data request that the standpipe went into
16 operation on September 4, 2014.

17
18 **Q. Has the Company provided any information as to revenues generated**
19 **from the new standpipe?**

20 A. No.
21
22
23
24
25

1 **Q. Does RUCO agree with Staff's recommendation that the Company be**
2 **required to file a rate case in three years rather than five years as**
3 **proposed by the Company in order to report activity of the proposed**
4 **standpipe?**

5 A. No, by increasing the rate case expense to be recovered over three years
6 instead of five, provides no guarantee the Company will file at the end of
7 the three year period. I have seen far too many delays and request for
8 extensions by Companies in similar situations. Likewise, there simply is no
9 guarantee that the Company will generate any significant revenues from the
10 standpipe. Moreover, when the Company files a new rate case in 3 years
11 instead of 5 years, customers may have to endure another rate increase
12 sooner than later.

13
14 **Q. Please elaborate?**

15 A. If Staff believes the Company is over-earning they can ask the Commission
16 to order the Company to file a rate case. RUCO recommends that the
17 Company file a yearly report by September 30th of each year which shows
18 the revenue generated by month from the Company's standpipe. Further,
19 RUCO recommends that if the Company is over-earning it be addressed,
20 trued-up, and any excess be refunded to ratepayers in the Company's next
21 rate case.

Rate Case Expense Recovery Surcharge

Q. Does RUCO believe a rate case expense recovery surcharge is appropriate in this case?

A. Yes. The Commission awarded the Company rate case expense of \$100,000 total or \$50,000 per division to be amortized over 4 years in Decision No. 70140 (dated January 23, 2008). It is now October 20, 2014, and the Company has over-collected its previously approved rate case expense.

The Commission has been transitioning away from traditional ratemaking in an effort to ameliorate regulatory lag in the utilities favor, and including surcharges and adjuster mechanisms into their decisions. It is only fair that a few of these mechanisms should ameliorate the effects of regulatory lag in favor of the ratepayers. And really, in this instance it is only fair and makes sense that the ratepayers should only have to pay the authorized amount of rate case expense.

RUCO's recommendation here is to assure that the ratepayers only pay for the amount of rate case expense authorized – no more and no less. There is no reason why the Company should continue to over-collect rate case expense. Moreover, the Commission has already approved the same rate case expense surcharge in Decision No. 73573.⁵

⁵ Pima Utility Company, Docket No. W-02199A-11-0329 ET AL.

1 **Q. What is RUCO's recommendation?**

2 A. RUCO, consistent with the language in Decision No. 73573, recommends
3 that the Commission implement a rate case surcharge of \$4.27⁶ per
4 customer for the Water Division and a rate case surcharge of \$4.25 for the
5 Wastewater Division with the surcharge remaining in place for either (1) a
6 period of 36 months, or (2) until the Company has collected \$50,000 in rate
7 case expense recovery from both Divisions, whichever comes first.

8
9 **Q. Should there be a provision in this case to prevent the Company from**
10 **circumventing the system, by filing a rate case earlier than 36 months**
11 **and asking for recovery of prior authorized rate case expense that**
12 **have not been recovered through the surcharge?**

13 A. Yes. The Company anticipated that it would file another rate case in five
14 years. RUCO is not suggesting that the Company would deliberately file
15 another rate case in 24 months in order to over-collect rate case expense,
16 however, a provision should be in place that prevents the Company from
17 over-earning its rate case expense.

18
19 **Alternative Rate Design**

20 **Q. You mentioned in your direct testimony on page 16, that RUCO might**
21 **offer an alternative rate design to help mitigate rate shock?**

22 A. Yes. RUCO has looked into a three year phase-in of rates for both the water
23 and wastewater divisions.
24
25

⁶ Water Division - \$50,000 rate case expense / 325 customers / 36 months. Wastewater Division - \$50,000 rate case expense / 327 customers / 36 months.

1 **Q. Why are phase-in rates problematic?**

2 A. From the Company's perspective, a Commission directive requiring a
3 phase-in could be considered confiscatory depending how it is set-up. From
4 RUCO's perspective, RUCO would not recommend a phase-in because it
5 ends up costing the ratepayer more in the long-run, unless the Company is
6 willing to forgo the carrying costs associated with a phase-in.

7

8 **Q. Does your silence on any of the issues, matters or findings addressed**
9 **in the testimony of any of the witnesses for the Company constitute**
10 **your acceptance of their positions on such issues, matters or**
11 **findings?**

12 A. No. RUCO limited its discussion to the specific issues outlined above.
13 RUCO's lack of response to any issue in this proceeding should not be
14 construed as agreement with the Company's position in its rebuttal
15 testimony; rather, where there is no response RUCO relies on its original
16 direct testimony.

17

18 **Q. Does this conclude your surrebuttal testimony?**

19 A. Yes.

20

Utility Source, LLC - Water Division
Docket No. WS-04235A-13-0331
Test Year Ended: December 31, 2012

Surrebuttal Schedules of Jeffrey M. Michlik

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JMM-2	RATE BASE - ORIGINAL COSTS
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JMM-5	ORIGINAL COST RATE BASE ADJUSTMENT # 2 - ADJUSTMENT TO ACCUMULATED AMORTIZATION OF CIAC
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JMM-15	OPERATING INCOME ADJUSTMENT # 7 - INCOME TAX
JMM-16	RATE DESIGN
JMM-17	TYPICAL BILL

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY FAIR VALUE	(B) RUCO FAIR VALUE
1	Adjusted Rate Base	\$ 1,566,542	\$ 1,575,194
2	Adjusted Operating Income (Loss)	\$ (8,265)	\$ 11,103
3	Current Rate of Return (L2 / L1)	-0.53%	0.70%
4	Required Rate of Return	11.00%	9.25%
5	Required Operating Income (L4 * L1)	\$ 172,320	\$ 145,705
6	Operating Income Deficiency (L5 - L2)	\$ 180,584	\$ 134,603
7	Gross Revenue Conversion Factor	1.2650	1.0111 *
8	Required Revenue Increase (L7 * L6)	\$ 228,447	\$ 136,091
9	Adjusted Test Year Revenue	\$ 208,004	\$ 206,184
10	Proposed Annual Revenue (L8 + L9)	\$ 436,451	\$ 342,275
11	Required Increase in Revenue (%)	109.83%	66.00%

References:

Column (A): Company Schedule A-1

Column (B): RUCO Schedules JMM-2 and JMM-7

* RUCO includes a property tax revenue conversion factor

Utility Source, LLC - Water Division
Docket No. WS-04235A-13-0331
Test Year Ended: December 31, 2012

Schedule JMM-2

RATE BASE - ORIGINAL COST

LINE NO.	(A) COMPANY AS FILED	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED
1	Plant in Service	\$ 2,496,640	\$ 2,496,640
2	Less: Accumulated Depreciation	726,406	716,487
3	Net Plant in Service	<u>\$ 1,770,234</u>	<u>\$ 1,780,153</u>
4			
5	<u>LESS:</u>		
6			
7	Contributions in Aid of Construction (CIAC)	\$ 294,745	\$ 294,745
8	Less: Accumulated Amortization	96,938	\$ 95,671
9	Net CIAC	<u>197,807</u>	<u>\$ 199,074</u>
10			
11	Advances in Aid of Construction (AIAC)	-	-
12			
13	Customer Meter Deposits	5,885	5,885
14	Customer Deposits	-	-
15	Deferred Income Taxes & Credits	-	-
17	FHSD Settlement	-	-
18			
19	<u>ADD:</u>		
20			
21			
22	Deferred Debits	-	-
23			
24	Working Capital Allowance	-	-
25			
26			
27	Original Cost Rate Base	<u>\$ 1,566,542</u>	<u>\$ 1,575,194</u>

References:

Column [A]: Company as Filed

Column [B]: Schedule JMM-3

Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.		[A]	[B]	[C]	[D]	[D]
			COMPANY AS FILED	ADJ #1 Adjustment to Accumulated Depreciation Ref: Sch JMM-4	ADJ #2 Adjustment to Accumulated Amortization of CIAC Ref: Sch JMM-5	ADJ #3 Not Used Ref: Sch JMM-6	RUCO ADJUSTED
<u>PLANT IN SERVICE:</u>							
		<u>DESCRIPTION</u>					
1	301	Organization Cost	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-	-	-
3	303	Land and Land Rights	210,000	-	-	-	210,000
4	304	Structures and Improvements	72,997	-	-	-	72,997
5	305	Collecting and Impounding Res.	-	-	-	-	-
6	306	Lake River and Other Intakes	-	-	-	-	-
7	307	Wells and Springs	1,353,539	-	-	-	1,353,539
8	308	Infiltration Galleries and Tunnels	-	-	-	-	-
9	309	Supply Mains	-	-	-	-	-
10	310	Power Generation Equipment	89,125	-	-	-	89,125
11	311	Electric Pumping Equipment	158,711	-	-	-	158,711
12	320.0	Water Treatment Equipment	5,487	-	-	-	5,487
13	320.1	Water Treatment Plant	-	-	-	-	-
14	320.2	Chemical Solution Feeders	-	-	-	-	-
15	330	Dist. Reservoirs & Standpipe	321,452	-	-	-	321,452
16	330.1	Storage tanks	-	-	-	-	-
17	330.2	Pressure Tanks	-	-	-	-	-
18	331	Trans. and Dist. Mains	161,632	-	-	-	161,632
19	333	Services	86,250	-	-	-	86,250
20	334	Meters	-	-	-	-	-
21	335	Hydrants	34,500	-	-	-	34,500
22	336.0	Backflow Prevention Devices	-	-	-	-	-
23	339	Other Plant and Misc. Equip.	-	-	-	-	-
24	340	Office Furniture and Fixtures	2,947	-	-	-	2,947
25	340	Computers and Software	-	-	-	-	-
26	341	Transportation Equipment	-	-	-	-	-
27	342	Stores Equipment	-	-	-	-	-
28	343	Tools and Work Equipment	-	-	-	-	-
29	344	Laboratory Equipment	-	-	-	-	-
30	345	Power Operated Equipment	-	-	-	-	-
31	346	Communications Equipment	-	-	-	-	-
32	347	Miscellaneous Equipment	-	-	-	-	-
33	348	Other Tangible Plant	-	-	-	-	-
51		Total Plant in Service	\$ 2,496,640	\$ -	\$ -	\$ -	\$ 2,496,640
52		Less: Accumulated Depreciation	726,406	(9,919)	-	-	716,487
53							
54		Net Plant in Service	\$ 1,770,234	\$ 9,919	\$ -	\$ -	\$ 1,780,153
55							
56		<u>LESS:</u>					
57		Contributions in Aid of Construction (CIAC)	\$ 294,745	\$ -	\$ -	\$ -	\$ 294,745
58		Less: Accumulated Amortization	96,938	-	(1,267)	-	95,671
59		Net CIAC (L25 - L26)	197,807	-	1,267	-	199,074
60		Advances in Aid of Construction (AIAC)	-	-	-	-	-
61		Customer Deposits	5,885	-	-	-	5,885
62			-	-	-	-	-
63			-	-	-	-	-
64			-	-	-	-	-
65			-	-	-	-	-
66		<u>ADD:</u>					
67		Deferred Debits	-	-	-	-	-
68		Working Capital Allowance	-	-	-	-	-
69			-	-	-	-	-
70		Original Cost Rate Base	\$ 1,566,542	\$ 9,919	\$ (1,267)	\$ -	\$ 1,575,194

Utility Source, LLC - Water Division
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Schedule JMM-4

RATE BASE ADJUSTMENT NO. 1 - ADJUSTMENT TO ACCUMULATED DEPRECIATION

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY PROPOSED	RUCO ADJUSTMENTS	RUCO RECOMMENDED
1		Accumulated Depreciation	\$ 726,406	\$ (9,919)	\$ 716,487

REFERENCES:

Column [A]: Company Filing
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Utility Source, LLC - Water Division
Docket No. WS-04235A-13-0331
Test Year Ended: December 31, 2012

Schedule JMM-5

RATE BASE ADJUSTMENT NO. 2 - ADJUSTMENT TO ACCUMULATED AMORTIZATION OF CIAC

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY PROPOSED	RUCO ADJUSTMENTS	RUCO RECOMMENDED
1		Accumulated Amortization of CIAC	\$ 96,938	\$ (1,267)	\$ 95,671

REFERENCES:

Column [A]: Company Filing

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

Utility Source, LLC - Water Division
Docket No. WS-04235A-13-0331
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Schedule JMM-6

RATE BASE ADJUSTMENT NO. 3 - NOT USED

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY PROPOSED	RUCO ADJUSTMENTS	RUCO RECOMMENDED
1			\$ -	\$ -	\$ -

REFERENCES:

Column [A]: Company Filing

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND RUCO RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] RUCO TEST YEAR ADJUSTMENTS	[C] RUCO TEST YEAR AS ADJUSTED	[D] RUCO PROPOSED CHANGES	[E] RUCO RECOMMENDED
1	<u>REVENUES:</u>					
2	Metered Water Sales	\$ 202,743	\$ -	\$ 202,743	\$ 136,091	\$ 338,834
3	Water Sales-Unmetered	-	-	-	-	-
4	Other Operating Revenue	5,261	(1,820)	3,441	-	3,441
5	Intentionally Left Blank	-	-	-	-	-
6	Total Operating Revenues	\$ 208,004	\$ (1,820)	\$ 206,184	\$ 136,091	\$ 342,275
8	<u>OPERATING EXPENSES:</u>					
9	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -
10	Purchased Water	-	-	-	-	-
11	Purchased Power	66,787	-	66,787	-	66,787
12	Fuel For Power Production	-	-	-	-	-
13	Chemicals	1,460	-	1,460	-	1,460
14	Materials and Supplies	12,257	-	12,257	-	12,257
15	Office Supplies and Expense	2,399	-	2,399	-	2,399
16	Contractual Services - Accounting	20,253	-	20,253	-	20,253
17	Contractual Services - Professional	9,651	-	9,651	-	9,651
18	Contractual Services - Maintenance	-	-	-	-	-
19	Contractual Services - Other	-	-	-	-	-
20	Water Testing	8,107	(7,733)	374	-	374
21	Rents	-	-	-	-	-
22	Transportation Expenses	-	-	-	-	-
23	Insurance - General Liability	2,186	-	2,186	-	2,186
24	Insurance - Health and Life	-	-	-	-	-
25	Reg. Comm. Exp. - Other	-	-	-	-	-
26	Reg. Comm. Exp. - Rate Case	10,000	(10,000)	-	-	-
27	Miscellaneous Expense	19,976	(4,116)	15,860	-	15,860
28	Bad Debt Expense	-	-	-	-	-
29	Depreciation and Amortization Expense	57,728	(637)	57,091	-	57,091
30	Taxes Other Than Income	-	-	-	-	-
31	Property Taxes	7,530	(766)	6,764	1,488	8,253
32	Income Tax	(2,064)	2,064	(0)	-	(0)
33	Interest on Customer Deposits	-	-	-	-	-
34	Total Operating Expenses	\$ 216,269	\$ (21,188)	\$ 195,081	\$ 1,488	\$ 196,569
35	Operating Income (Loss)	\$ (8,265)	\$ 19,368	\$ 11,103	\$ 134,603	\$ 145,705

References:

Column (A): Company Schedule C-1

Column (B): Schedule JMM-8

Column (C): Column (A) + Column (B)

Column (D): Schedule JMM-14

Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Other Operating Revenues ADJ #1	[C] Water Testing Expense ADJ #2	[D] Rate Case Expense ADJ #3	[E] Miscellaneous Expense ADJ #4	[F] Depreciation Expense ADJ #5	[G] Property Tax Expense ADJ #6	[H] Income Tax Expense ADJ #7	[I] RUCO ADJUSTED
1	REVENUES:									
2	Metered Water Sales	\$ 202,743	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 202,743
3	Water Sales-Unmetered	-	-	-	-	-	-	-	-	-
4	Other Operating Revenue	5,261	(1,820)	-	-	-	-	-	-	3,441
5	Intentionally Left Blank	-	-	-	-	-	-	-	-	-
6	Total Operating Revenues	\$ 208,004	\$ (1,820)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 206,184
7	OPERATING EXPENSES:									
8	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9	Purchased Water	66,787	-	-	-	-	-	-	-	66,787
10	Purchased Power	-	-	-	-	-	-	-	-	-
11	Fuel For Power Production	-	-	-	-	-	-	-	-	-
12	Chemicals	-	-	-	-	-	-	-	-	-
13	Materials and Supplies	1,460	-	-	-	-	-	-	-	1,460
14	Office Supplies and Expense	12,257	-	-	-	-	-	-	-	12,257
15	Contractual Services - Accounting	2,399	-	-	-	-	-	-	-	2,399
16	Contractual Services - Professional	20,253	-	-	-	-	-	-	-	20,253
17	Contractual Services - Maintenance	9,651	-	-	-	-	-	-	-	9,651
18	Contractual Services - Other	-	-	-	-	-	-	-	-	-
19	Water Testing	8,107	-	(7,733)	-	-	-	-	-	374
20	Rents	-	-	-	-	-	-	-	-	-
21	Transportation Expenses	-	-	-	-	-	-	-	-	-
22	Insurance - General Liability	2,186	-	-	-	-	-	-	-	2,186
23	Insurance - Health and Life	-	-	-	-	-	-	-	-	-
24	Reg. Comm. Exp. - Other	-	-	-	-	-	-	-	-	-
25	Reg. Comm. Exp. - Rate Case	10,000	-	-	(10,000)	-	-	-	-	-
26	Miscellaneous Expense	19,976	-	-	-	(4,116)	-	-	-	15,860
27	Bad Debt Expense	-	-	-	-	-	-	-	-	-
28	Depreciation and Amortization Expense	57,728	-	-	-	-	(637)	-	-	57,091
29	Taxes Other Than Income	-	-	-	-	-	-	-	-	-
30	Property Taxes	7,530	-	-	-	-	-	(766)	-	6,764
31	Income Tax	(2,064)	-	-	-	-	-	-	2,064	(0)
32	Interest on Customer Deposits	-	-	-	-	-	-	-	-	-
33	Total Operating Expenses	\$ 216,269	\$ (1,820)	\$ (7,733)	\$ (10,000)	\$ (4,116)	\$ (637)	\$ (766)	\$ 2,064	\$ 195,080
34	Operating Income (Loss)	\$ (8,265)	\$ -	\$ 7,733	\$ 10,000	\$ 4,116	\$ 637	\$ 766	\$ (2,064)	\$ 11,104

Utility Source, LLC - Water Division
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Schedule JMM-9

OPERATING INCOME ADJUSTMENT NO. 1 - OTHER OPERATING REVENUE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY PROPOSED	RUCO ADJUSTMENTS	RUCO RECOMMENDED
1	Other Operating Revenue	\$ 5,261	\$ (1,820)	\$ 3,441

REFERENCES:

Column [A]: Company Filing

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

Utility Source, LLC - Water Division
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Schedule JMM-10

OPERATING INCOME ADJUSTMENT NO. 2 - WATER TESTING EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY PROPOSED	RUCO ADJUSTMENTS	RUCO RECOMMENDED
1	Water Testing Expense	\$ 8,107	\$ (7,733)	\$ 374

REFERENCES:

Column [A]: Company Filing

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

Utility Source, LLC - Water Division
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Schedule JMM-11

OPERATING INCOME ADJUSTMENT NO. 3 - RATE CASE EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY PROPOSED	RUCO ADJUSTMENTS	RUCO RECOMMENDED
1	Rate Case Expense	\$ 10,000	\$ (10,000)	\$ -

REFERENCES:

Column [A]: Company Filing

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

Utility Source, LLC - Water Division
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Schedule JMM-12

OPERATING INCOME ADJUSTMENT NO. 4 - MISCELLANEOUS EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY PROPOSED	RUCO ADJUSTMENTS	RUCO RECOMMENDED
1	Miscellaneous Expense	\$ 19,976	\$ (4,116)	\$ 15,860
2				
3	Automobile Expense	\$ 1,750		
4	Telephone Expense	\$ 2,366		
5		\$ 4,116		

REFERENCES:

Column [A]: Company Filing

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 5 - DEPRECIATION EXPENSE ON TEST YEAR PLANT

LINE NO.	ACCT NO.	DESCRIPTION	[A] PLANT In SERVICE Per RUCO	[B] NonDepreciable or Fully Depreciated PLANT	[C] DEPRECIABLE PLANT (Col A - Col B)	[D] DEPRECIATION RATE	[E] DEPRECIATION EXPENSE (Col C x Col D)
1	301	Organization Cost	\$ -	\$ -	\$ -	0.00%	\$ -
2	302	Franchise Cost	\$ -	\$ -	\$ -	0.00%	\$ -
3	303	Land and Land Rights	\$ 210,000	\$ 210,000	\$ -	0.00%	\$ -
4	304	Structures and Improvements	\$ 72,997	\$ -	\$ 72,997	3.33%	\$ 2,431
5	305	Collecting and Impounding Res.	\$ -	\$ -	\$ -	2.50%	\$ -
6	306	Lake River and Other Intakes	\$ -	\$ -	\$ -	2.50%	\$ -
7	307	Wells and Springs	\$ 1,353,539	\$ -	\$ 1,353,539	3.33%	\$ 45,073
8	308	Infiltration Galleries and Tunnels	\$ -	\$ -	\$ -	6.67%	\$ -
9	309	Supply Mains	\$ -	\$ -	\$ -	2.00%	\$ -
10	310	Power Generation Equipment	\$ 89,125	\$ -	\$ 89,125	5.00%	\$ 4,456
11	311	Electric Pumping Equipment	\$ 158,711	\$ 158,711	\$ -	12.50%	\$ -
12	320.0	Water Treatment Equipment	\$ 5,487	\$ -	\$ 5,487	3.33%	\$ 183
13	320.1	Water Treatment Plant	\$ -	\$ -	\$ -	3.33%	\$ -
14	320.2	Chemical Solution Feeders	\$ -	\$ -	\$ -	20.00%	\$ -
15	330	Dist. Reservoirs & Standpipe	\$ 321,452	\$ -	\$ 321,452	2.22%	\$ 7,136
16	330.1	Storage tanks	\$ -	\$ -	\$ -	2.22%	\$ -
17	330.2	Pressure Tanks	\$ -	\$ -	\$ -	5.00%	\$ -
18	331	Trans. and Dist. Mains	\$ 161,632	\$ -	\$ 161,632	2.00%	\$ 3,233
19	333	Services	\$ 86,250	\$ -	\$ 86,250	3.33%	\$ 2,872
20	334	Meters	\$ -	\$ -	\$ -	8.33%	\$ -
21	335	Hydrants	\$ 34,500	\$ -	\$ 34,500	2.00%	\$ 690
22	336.0	Backflow Prevention Devices	\$ -	\$ -	\$ -	6.67%	\$ -
23	339	Other Plant and Misc. Equip.	\$ -	\$ -	\$ -	6.67%	\$ -
24	340	Office Furniture and Fixtures	\$ 2,947	\$ -	\$ 2,947	6.67%	\$ 197
25	340	Computers and Software	\$ -	\$ -	\$ -	20.00%	\$ -
26	341	Transportation Equipment	\$ -	\$ -	\$ -	20.00%	\$ -
27	342	Stores Equipment	\$ -	\$ -	\$ -	4.00%	\$ -
28	343	Tools and Work Equipment	\$ -	\$ -	\$ -	5.00%	\$ -
29	344	Laboratory Equipment	\$ -	\$ -	\$ -	10.00%	\$ -
30	345	Power Operated Equipment	\$ -	\$ -	\$ -	5.00%	\$ -
31	346	Communications Equipment	\$ -	\$ -	\$ -	10.00%	\$ -
32	347	Miscellaneous Equipment	\$ -	\$ -	\$ -	10.00%	\$ -
33	348	Other Tangible Plant	\$ -	\$ -	\$ -	10.00%	\$ -
34		Total Plant	\$ 2,496,640	\$ 368,711	\$ 2,127,929		\$ 66,270
35							
36		Composite Depreciation Rate:					3.11%
37		Contributions in Aid of Construction ("CIAC"):					\$ 294,745
38		Amortization of CIAC:					\$ 9,179
39							
40		Depreciation Expense before Amortization of CIAC:					\$ 66,270
41		Less Amortization of CIAC:					\$ 9,179
42		Test Year Depreciation Expense - RUCO					\$ 57,091
43							
44		Depreciation Expense - Company					\$ 57,728
45							
46		RUCO's Adjustment to Depreciation Expense					\$ (637)

References:
Column [A]: Schedule JMM-3
Column [B]: From Column [A]
Column [C]: Column [A] - Column [B]
Column [D]: Company Engineering Depreciation Rates
Column [E]: Column [C] x Column [D]

OPERATING INCOME ADJUSTMENT NO. 6 - PROPERTY TAX EXPENSE

LINE NO.	Property Tax Calculation	[A] RUCO AS ADJUSTED	[B] RUCO RECOMMENDED
1	RUCO Adjusted Test Year Revenues	\$ 206,184	\$ 206,184
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	412,368	\$ 412,368
4	RUCO Recommended Revenue, Per Schedule JMM-1	206,184	\$ 342,275
5	Subtotal (Line 4 + Line 5)	618,552	754,643
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	206,184	\$ 251,548
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	412,368	\$ 503,096
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	\$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	412,368	\$ 503,096
13	Assessment Ratio	18.125%	18.125%
14	Assessment Value (Line 12 * Line 13)	74,742	\$ 91,186
15	Composite Property Tax Rate (Per Company Schedule)	9.0503%	9.0503%
16			
17	RUCO Test Year Adjusted Property Tax (Line 14 * Line 15)	\$ 6,764	
18	Company Proposed Property Tax	7,530	
19			
20	RUCO Test Year Adjustment (Line 16-Line 17)	\$ (766)	
21			
22	Property Tax - RUCO Recommended Revenue (Line 14 * Line 15)		\$ 8,253
23	RUCO Test Year Adjusted Property Tax Expense (Line 17)		\$ 6,764
24	Increase in Property Tax Expense Due to Increase in Revenue Requirement		\$ 1,488
25			
26	Increase to Property Tax Expense		\$ 1,488
27	Increase in Revenue Requirement		136,091
28	Increase to Property Tax per Dollar Increase in Revenue (Line 26/Line 27)		1.093577%
29			
30	Property Tax Conversion Factor = 1 / (1 - .01093577)		1.0111

REFERENCES:

Column [A]: Company Filing
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

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Schedule JMM-15

OPERATING INCOME ADJUSTMENT NO. 7 - INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY PROPOSED	RUCO ADJUSTMENTS	RUCO RECOMMENDED
1	Income Tax Expense	\$ (2,064)	\$ 2,064	\$ (0)

REFERENCES:

Column [A]: Company Filing

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

Monthly Usage Charge	Present	Company Proposed Rates	RUCO Recommended Rates
<u>Meter Size (All Classes):</u>			
5/8x3/4 Inch	\$ 18.50	\$ 41.07	\$ 29.00
3/4 Inch	18.50	41.07	29.00
1 Inch	46.50	102.68	72.50
1 1/2 Inch	92.50	205.35	145.00
2 Inch	148.00	328.56	232.00
3 Inch	296.00	657.12	464.00
4 Inch	462.50	1,026.75	725.00
6 Inch	925.00	2,053.50	1,450.00
8 Inch	N/A	N/A	2,320.00
10 Inch	N/A	N/A	3,335.00
12 Inch	N/A	N/A	6,235.00
<u>Commodity Charge - Per 1,000 Gallons</u>			
<u>5/8x3/4 and 3/4" Meter (Residential)</u>			
First 4,000 gallons	\$ 4.80	\$ 8.25	\$ 7.10
4,001 to 9,000 gallons	7.16	15.75	13.08
Over 9,000 gallons	8.60	21.75	17.40
<u>5/8x3/4 and 3/4" Meter (Commercial)</u>			
First 4,000 gallons	4.80	N/A	N/A
4,001 to 9,000 gallons	7.16	N/A	N/A
Over 9,000 gallons	8.60	N/A	N/A
First 9,000 gallons	N/A	15.75	13.08
Over 9,000 gallons	N/A	21.75	17.40
<u>1" Meter (Residential, Commercial)</u>			
First 27,000 gallons	4.80	N/A	N/A
Over 27,000 gallons	7.16	N/A	N/A
First 18,000 gallons	N/A	N/A	13.08
Over 18,000 gallons	N/A	N/A	17.40
<u>1.5" Meter (Residential, Commercial)</u>			
First 57,000 gallons	4.80	15.75	N/A
Over 57,000 gallons	7.16	21.75	N/A
First 33,000 gallons	N/A	N/A	13.08
Over 33,000 gallons	N/A	N/A	17.40
<u>2" Meter (Residential, Commercial)</u>			
First 94,000 gallons	4.80	15.75	N/A
Over 94,000 gallons	7.16	21.75	N/A
First 52,000 gallons	N/A	N/A	13.08
Over 52,000 gallons	N/A	N/A	17.40
<u>3" Meter (Residential, Commercial)</u>			
First 195,000 gallons	4.80	15.75	N/A
Over 195,000 gallons	7.16	21.75	N/A
First 104,000 gallons	N/A	N/A	13.08
Over 104,000 gallons	N/A	N/A	17.40
<u>4" Meter (Residential, Commercial)</u>			
First 309,000 gallons	4.80	15.75	N/A
Over 309,000 gallons	7.16	21.75	N/A
First 160,000 gallons	N/A	N/A	13.08
Over 160,000 gallons	N/A	N/A	17.40

Rate Design

<u>6" Meter (Residential, Commercial)</u>			
First 615,000 gallons	4.80	15.75	N/A
Over 615,000 gallons	7.16	21.75	N/A
First 325,000 gallons	N/A	N/A	13.08
Over 325,000 gallons	N/A	N/A	17.40
<u>8" Meter (Residential, Commercial)</u>			
First 524,000 gallons	N/A	N/A	13.08
Over 524,000 gallons	N/A	N/A	17.40
<u>10" Meter (Residential, Commercial)</u>			
First 750,000 gallons	N/A	N/A	13.08
Over 750,000 gallons	N/A	N/A	17.40
<u>12" Meter (Residential, Commercial)</u>			
First 1,400,000 gallons	N/A	N/A	13.08
Over 1,400,000 gallons	N/A	N/A	17.40
<u>Irrigation</u>			
All Usage	9.26	21.75	17.40
<u>Bulk/Construction</u>			
All Usage	10.35	21.75	17.40

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Schedule JMM-17

Typical Bill Analysis
General Service 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	4,123	\$ 38.58	\$ 76.00	\$ 37.42	97.01%
Median Usage	3,500	35.30	69.95	\$ 34.65	98.14%

RUCO Recommended

Average Usage	4,123	\$ 38.58	\$ 59.01	\$ 20.43	52.95%
Median Usage	3,500	35.30	53.85	\$ 18.55	52.55%

Present & Proposed Rates (Without Taxes)
General Service 3/4-Inch Meter

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	RUCO Recommended Rates	% Increase
-	\$ 18.50	\$ 41.07	122.00%	\$ 29.00	56.76%
1,000	\$ 23.30	\$ 49.32	111.67%	\$ 36.10	54.94%
2,000	\$ 28.10	\$ 57.57	104.88%	\$ 43.20	53.74%
3,000	\$ 32.90	\$ 65.82	100.06%	\$ 50.30	52.89%
4,000	\$ 37.70	\$ 74.07	96.47%	\$ 57.40	52.25%
5,000	\$ 44.86	\$ 89.82	100.22%	\$ 70.48	57.11%
6,000	\$ 52.02	\$ 105.57	102.94%	\$ 83.56	60.63%
7,000	\$ 59.18	\$ 121.32	105.00%	\$ 96.64	63.30%
8,000	\$ 66.34	\$ 137.07	106.62%	\$ 109.72	65.39%
9,000	\$ 73.50	\$ 152.82	107.92%	\$ 122.80	67.07%
10,000	\$ 82.10	\$ 174.57	112.63%	\$ 140.20	70.77%
11,000	\$ 90.70	\$ 196.32	116.45%	\$ 157.60	73.76%
12,000	\$ 99.30	\$ 218.07	119.61%	\$ 175.00	76.23%
13,000	\$ 107.90	\$ 239.82	122.26%	\$ 192.40	78.31%
14,000	\$ 116.50	\$ 261.57	124.52%	\$ 209.80	80.09%
15,000	\$ 125.10	\$ 283.32	126.47%	\$ 227.20	81.61%
16,000	\$ 133.70	\$ 305.07	128.18%	\$ 244.60	82.95%
17,000	\$ 142.30	\$ 326.82	129.67%	\$ 262.00	84.12%
18,000	\$ 150.90	\$ 348.57	130.99%	\$ 279.40	85.16%
19,000	\$ 159.50	\$ 370.32	132.18%	\$ 296.80	86.08%
20,000	\$ 168.10	\$ 392.07	133.24%	\$ 314.20	86.91%
25,000	\$ 211.10	\$ 500.82	137.24%	\$ 401.20	90.05%
30,000	\$ 254.10	\$ 609.57	139.89%	\$ 488.20	92.13%
35,000	\$ 297.10	\$ 718.32	141.78%	\$ 575.20	93.60%
40,000	\$ 340.10	\$ 827.07	143.18%	\$ 662.20	94.71%
45,000	\$ 383.10	\$ 935.82	144.28%	\$ 749.20	95.56%
50,000	\$ 426.10	\$ 1,044.57	145.15%	\$ 836.20	96.25%
75,000	\$ 641.10	\$ 1,588.32	147.75%	\$ 1,271.20	98.28%
100,000	\$ 856.10	\$ 2,132.07	149.04%	\$ 1,706.20	99.30%

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Surrebuttal Schedules of Jeffrey M. Michlik

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Schedule JMM-1

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY FAIR VALUE	(B) RUCO FAIR VALUE
1	Adjusted Rate Base	\$ 830,945	\$ 825,856
2	Adjusted Operating Income (Loss)	\$ (72,257)	\$ (81,884)
3	Current Rate of Return (L2 / L1)	-8.70%	-9.92%
4	Required Rate of Return	11.00%	9.25%
5	Required Operating Income (L4 * L1)	\$ 91,404	\$ 76,392
6	Operating Income Deficiency (L5 - L2)	\$ 163,661	\$ 158,276
7	Gross Revenue Conversion Factor	1.2022	1.0113 *
8	Required Revenue Increase (L7 * L6)	\$ 196,760	\$ 160,060
9	Adjusted Test Year Revenue	\$ 121,284	\$ 119,464
10	Proposed Annual Revenue (L8 + L9)	\$ 318,044	\$ 279,524
11	Required Increase in Revenue (%)	162.23%	133.98%

References:

Column (A): Company Schedule A-1

Column (B): RUCO Schedules JMM-2 and JMM-7

* RUCO includes a property tax revenue conversion factor

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Schedule JMM-2

RATE BASE - ORIGINAL COST

LINE NO.		(A) COMPANY AS FILED	(B) RUCO ADJUSTMENTS	(C) RUCO AS ADJUSTED
1	Plant in Service	\$ 1,397,271	\$ -	\$ 1,397,271
2	Less: Accumulated Depreciation	455,064	28	455,092
3	Net Plant in Service	<u>\$ 942,206</u>	<u>\$ (28)</u>	<u>\$ 942,179</u>
4				
5	<u>LESS:</u>			
6				
7	Contributions in Aid of Construction (CIAC)	\$ 197,973	\$ -	\$ 197,973
8	Less: Accumulated Amortization	86,711	4	86,715
9	Net CIAC	<u>111,262</u>	<u>(4)</u>	<u>\$ 111,258</u>
10				
11	Advances in Aid of Construction (AIAC)	-	-	-
12				
13	Customer Meter Deposits	-	-	-
14	Customer Deposits	-	5,065	5,065
15	Deferred Income Taxes & Credits	-	-	-
17		-	-	-
18				
19	<u>ADD:</u>			
20				
21				
22	Deferred Debits	-	-	-
23				
24	Working Capital Allowance	-	-	-
25				
26				
27	Original Cost Rate Base	<u>\$ 830,945</u>	<u>\$ (5,089)</u>	<u>\$ 825,856</u>

References:

Column [A]: Company as Filed

Column [B]: Schedule JMM-3

Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE	ACCT.		[A]	[B]	[C]	[D]	[E]
NO.	NO.						
				ADJ #1	ADJ #2	ADJ #3	
				Adjustment to	Adjustment to	Customer	
				Accumulated Depreciation	Accumulated Amortization of CIAC	Deposits	RUCO
				Ref: Sch JMM-4	Ref: Sch JMM-5	Ref: Sch JMM-6	ADJUSTED
<u>PLANT IN SERVICE:</u>		<u>DESCRIPTION</u>	<u>COMPANY</u>				
1			<u>AS FILED</u>				
2	351	Organization Cost	\$ -	\$ -	\$ -	\$ -	\$ -
3	352	Franchise Cost	-	-	-	-	-
4	353	Land and Land Rights	105,000	-	-	-	105,000
5	354	Structures & Improvements	56,350	-	-	-	56,350
6	355	Power Generation Equipment	2,879	-	-	-	2,879
7	360	Collection Sewers - Force	-	-	-	-	-
8	361	Collection Sewers - Gravity	260,553	-	-	-	260,553
9	362	Special Collecting Structures	-	-	-	-	-
10	363	Services to Customers	60,375	-	-	-	60,375
11	364	Flow Measuring Devices	-	-	-	-	-
12	365	Flow Measuring Installations	-	-	-	-	-
13	366	Reuse Services	3,450	-	-	-	3,450
14	367	Reuse Meters and Meter Installations	-	-	-	-	-
15	370	Receiving Wells	-	-	-	-	-
16	371	Pumping Equipment	-	-	-	-	-
17	374	Reuse Distribution Reservoirs	-	-	-	-	-
18	375	Reuse Transmission and Distribution	-	-	-	-	-
19	380	Treatment & Disposal Equipment	903,992	-	-	-	903,992
20	381	Plant Sewers	-	-	-	-	-
21	382	Outfall Sewer Lines	-	-	-	-	-
22	389	Other Plant & Misc Equipment	-	-	-	-	-
23	390	Office Furniture & Equipment	4,672	-	-	-	4,672
24	390.1	Computers & Software	-	-	-	-	-
25	391	Transportation Equipment	-	-	-	-	-
26	392	Stores Equipment	-	-	-	-	-
27	393	Tools, Shop & Garage Equipment	-	-	-	-	-
28	394	Laboratory Equipment	-	-	-	-	-
	395	Power Operated Equipment	-	-	-	-	-
29	396	Communication Equipment	-	-	-	-	-
30	397	Miscellaneous Equipment	-	-	-	-	-
31	398	Other Tangible Plant	-	-	-	-	-
32		Total Plant in Service - Sub Total	1,397,271	-	-	-	1,397,271
35		Less: Accumulated Depreciation	455,064	28	-	-	455,092
36			-	-	-	-	-
37		Net Plant in Service	\$ 942,207	\$ (28)	\$ -	\$ -	\$ 942,179
38							
39		<u>LESS:</u>					
40		Contributions in Aid of Construction (CIAC)	\$ 197,973	\$ -	\$ -	\$ -	\$ 197,973
41		Less: Accumulated Amortization	86,711	-	4	-	86,715
42		Net CIAC (L25 - L26)	111,262	-	(4)	-	111,258
43		Advances in Aid of Construction (AIAC)	-	-	-	-	-
44		Customer Meter Deposits	-	-	-	-	-
45		Customer Deposits	-	-	-	5,065	5,065
46		Deferred Income Taxes & Credits	-	-	-	-	-
47			-	-	-	-	-
48			-	-	-	-	-
49		<u>ADD:</u>					
50		Deferred Debits	-	-	-	-	-
51		Working Capital Allowance	-	-	-	-	-
52			-	-	-	-	-
53		Original Cost Rate Base	\$ 830,945	\$ (28)	\$ 4	\$ (5,065)	\$ 825,856

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Schedule JMM-4

RATE BASE ADJUSTMENT NO. 1 - ADJUSTMENT TO ACCUMULATED DEPRECIATION

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY PROPOSED	RUCO ADJUSTMENTS	RUCO RECOMMENDED
1		Accumulated Depreciation	\$ 455,064	\$ 28	\$ 455,092

REFERENCES:

Column [A]: Company Filing
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

Utility Source, L.L.C. - Wastewater Division
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Schedule JMM-5

RATE BASE ADJUSTMENT NO. 2 - ADJUSTMENT TO ACCUMULATED AMORTIZATION OF CIAC

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY PROPOSED	RUCO ADJUSTMENTS	RUCO RECOMMENDED
1		Accumulated Amortization of CIAC	\$ 86,711	\$ 4	\$ 86,715

REFERENCES:

Column [A]: Company Filing

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

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Schedule JMM-6

RATE BASE ADJUSTMENT NO. 3 - CUSTOMER METER DEPOSITS

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			COMPANY PROPOSED	RUCO ADJUSTMENTS	RUCO RECOMMENDED
1		Customer Meter Deposits	\$ -	\$ 5,065	\$ 5,065

REFERENCES:

Column [A]: Company Filing

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND RUCO RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] RUCO TEST YEAR ADJUSTMENTS	[C] RUCO TEST YEAR AS ADJUSTED	[D] RUCO PROPOSED CHANGES	[E] RUCO RECOMMENDED
1	<u>REVENUES:</u>					
2	Flat Rate Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
3	Measured Water Revenues	116,023	-	116,023	160,060	276,082
4	Other Operating Revenues	5,261	(1,820)	3,441	-	3,441
5	Intentionally Left Blank	-	-	-	-	-
6	Total Operating Revenues	<u>\$ 121,284</u>	<u>\$ (1,820)</u>	<u>\$ 119,464</u>	<u>\$ 160,060</u>	<u>\$ 279,524</u>
7						
8	<u>OPERATING EXPENSES:</u>					
9	Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -
10	Purchased Water	-	-	-	-	-
11	Purchased Power	26,213	-	26,213	-	26,213
12	Sludge Removal	12,659	-	12,659	-	12,659
13	Chemicals	5,400	-	5,400	-	5,400
14	Materials and Supplies	7,187	-	7,187	-	7,187
15	Office Supplies and Expense	2,446	-	2,446	-	2,446
16	Contractual Services - Accounting	20,135	-	20,135	-	20,135
17	Contractual Services - Professional	1,920	-	1,920	-	1,920
18	Contractual Services - Maintenance	-	-	-	-	-
19	Contractual Services - Other	46,650	-	46,650	-	46,650
20	Wastewater Testing	5,669	8,858	14,527	-	14,527
21	Rents	-	-	-	-	-
22	Transportation Expenses	3,250	-	3,250	-	3,250
23	Insurance - General Liability	2,186	-	2,186	-	2,186
24	Insurance - Health and Life	-	-	-	-	-
25	Reg. Comm. Exp. - Other	-	-	-	-	-
26	Reg. Comm. Exp. - Rate Case	10,000	(10,000)	-	-	-
27	Miscellaneous Expense	13,152	(4,116)	9,036	-	9,036
28	Bad Debt Expense	-	-	-	-	-
29	Depreciation and Amortization Expense	45,744	-	45,744	-	45,744
30	Taxes Other Than Income	-	-	-	-	-
31	Property Taxes	4,476	(480)	3,995	1,784	5,780
32	Income Tax	(13,545)	13,545	0	-	0
33	Interest on Customer Deposits	-	0	0	-	0
34		-	-	-	-	-
35	Total Operating Expenses	<u>\$ 193,541</u>	<u>\$ 7,807</u>	<u>\$ 201,348</u>	<u>\$ 1,784</u>	<u>\$ 203,132</u>
36	Operating Income (Loss)	<u>\$ (72,257)</u>	<u>\$ (9,627)</u>	<u>\$ (81,884)</u>	<u>\$ 158,276</u>	<u>\$ 76,392</u>

References:

Column (A): Company Schedule C-1
Column (B): Schedule JMM-8
Column (C): Column (A) + Column (B)
Column (D): Schedule JMM-14
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	[A] COMPANY AS FILED	[B] Other Operating Revenues ADJ #1 Ref. Sch JMM-9	[C] Water Testing Expense ADJ #2 Ref. Sch JMM-10	[D] Rate Case Expense ADJ #3 Ref. Sch JMM-11	[E] Miscellaneous Expense ADJ #4 Ref. Sch JMM-12	[F] Not Used ADJ #5 Ref. Sch JMM-13	[G] Property Tax Expense ADJ #6 Ref. Sch JMM-14	[H] Income Tax Expense ADJ #7 Ref. Sch JMM-15	[I] RUCO ADJUSTED
1	REVENUES:								
2	Flat Rate Revenues	116,023	-	-	-	-	-	-	116,023
3	Measured Water Revenues	5,261	-	-	-	-	-	-	5,261
4	Other Operating Revenues	-	-	-	-	-	-	-	-
5	Intentionally Left Blank	-	-	-	-	-	-	-	-
6	Total Operating Revenues	\$ 121,284	\$ (1,820)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 119,464
8	OPERATING EXPENSES:								
9	Salaries and Wages	-	-	-	-	-	-	-	-
10	Purchased Water	-	-	-	-	-	-	-	-
11	Purchased Power	-	-	-	-	-	-	-	-
12	Sludge Removal	26,213	-	-	-	-	-	-	26,213
13	Chemicals	12,659	-	-	-	-	-	-	12,659
14	Materials and Supplies	5,400	-	-	-	-	-	-	5,400
15	Office Supplies and Expense	7,187	-	-	-	-	-	-	7,187
16	Contractual Services - Accounting	2,446	-	-	-	-	-	-	2,446
17	Contractual Services - Professional	20,135	-	-	-	-	-	-	20,135
18	Contractual Services - Maintenance	1,920	-	-	-	-	-	-	1,920
19	Contractual Services - Other	-	-	-	-	-	-	-	-
20	Wastewater Testing	46,650	-	-	-	-	-	-	46,650
21	Rents	5,669	-	-	-	-	-	-	5,669
22	Transportation Expenses	-	8,858	-	-	-	-	-	8,858
23	Insurance - General Liability	3,250	-	-	-	-	-	-	3,250
24	Insurance - Health and Life	2,186	-	-	-	-	-	-	2,186
25	Reg. Comm. Exp. - Other	-	-	-	-	-	-	-	-
26	Reg. Comm. Exp. - Rate Case	-	-	-	-	-	-	-	-
27	Miscellaneous Expense	10,000	-	(10,000)	-	-	-	-	-
28	Bad Debt Expense	13,152	-	-	-	-	-	-	13,152
29	Depreciation and Amortization Expense	-	-	-	(4,116)	-	-	-	(4,116)
30	Taxes Other Than Income	45,744	-	-	-	-	-	-	45,744
31	Property Taxes	4,476	-	-	-	-	-	-	4,476
32	Income Tax	(13,545)	-	-	-	-	(480)	-	(13,545)
33	Interest on Customer Deposits	-	-	-	-	-	-	-	-
34	Total Operating Expenses	\$ 193,541	\$ (1,820)	\$ (10,000)	\$ (4,116)	\$ -	\$ (480)	\$ 13,545	\$ 201,346
35	Operating Income (Loss)	\$ (72,257)	\$ (8,858)	\$ 10,000	\$ 4,116	\$ -	\$ 480	\$ (13,545)	\$ (81,884)

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Schedule JMM-9

OPERATING INCOME ADJUSTMENT NO. 1 - OTHER OPERATING REVENUE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY PROPOSED	RUCO ADJUSTMENTS	RUCO RECOMMENDED
1	Other Operating Revenues	\$ 5,261	\$ (1,820)	\$ 3,441

REFERENCES:

Column [A]: Company Filing

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

Utility Source, L.L.C. - Wastewater Division
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Schedule JMM-10

OPERATING INCOME ADJUSTMENT NO. 2 - WASTEWATER TESTING EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY PROPOSED	RUCO ADJUSTMENTS	RUCO RECOMMENDED
1	Wastewater Testing Expense	\$ 5,669	\$ 8,858	\$ 14,527

REFERENCES:

Column [A]: Company Filing

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

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Schedule JMM-11

OPERATING INCOME ADJUSTMENT NO. 3 - RATE CASE EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY PROPOSED	RUCO ADJUSTMENTS	RUCO RECOMMENDED
1	Rate Case Expense	\$ 10,000	\$ (10,000)	\$ -

REFERENCES:

Column [A]: Company Filing

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

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Schedule JMM-12

OPERATING INCOME ADJUSTMENT NO. 4 - MISCELLANEOUS EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY PROPOSED	RUCO ADJUSTMENTS	RUCO RECOMMENDED
1	Miscellaneous Expense	\$ 13,152	\$ (4,116)	\$ 9,036
	Automobile Expense	\$ 1,750		
	Telephone Expense	\$ 2,366		
		<u>\$ 4,116</u>		

REFERENCES:

Column [A]: Company Filing

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

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Schedule JMM-13

OPERATING INCOME ADJUSTMENT NO. 5 - NOT USED

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY PROPOSED	RUCO ADJUSTMENTS	RUCO RECOMMENDED
1		\$ -	\$ -	\$ -

REFERENCES:

Column [A]: Company Filing

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 6 - PROPERTY TAX EXPENSE

LINE NO.	Property Tax Calculation	[A]		[B]	
		RUCO AS ADJUSTED		RUCO RECOMMENDED	
1	RUCO Adjusted Test Year Revenues	\$	119,464	\$	119,464
2	Weight Factor		2		2
3	Subtotal (Line 1 * Line 2)		238,928	\$	238,928
4	RUCO Recommended Revenue, Per Schedule JMM-1		119,464	\$	279,524
5	Subtotal (Line 4 + Line 5)		358,391		518,451
6	Number of Years		3		3
7	Three Year Average (Line 5 / Line 6)		119,464	\$	172,817
8	Department of Revenue Multiplier		2		2
9	Revenue Base Value (Line 7 * Line 8)		238,928	\$	345,634
10	Plus: 10% of CWIP -		-		-
11	Less: Net Book Value of Licensed Vehicles		-	\$	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)		238,928	\$	345,634
13	Assessment Ratio		18.125%		18.125%
14	Assessment Value (Line 12 * Line 13)		43,306	\$	62,646
15	Composite Property Tax Rate (Per Company Schedule)		9.2262%		9.2262%
16					
17	RUCO Test Year Adjusted Property Tax (Line 14 * Line 15)	\$	3,995		
18	Company Proposed Property Tax		4,476		
19					
20	RUCO Test Year Adjustment (Line 16-Line 17)	\$	(480)		
21					
22	Property Tax - RUCO Recommended Revenue (Line 14 * Line 15)			\$	5,780
23	RUCO Test Year Adjusted Property Tax Expense (Line 16)			\$	3,995
24	Increase in Property Tax Expense Due to Increase in Revenue Requirement			\$	1,784
25					
26	Increase to Property Tax Expense			\$	1,784
27	Increase in Revenue Requirement				160,060
28	Increase to Property Tax per Dollar Increase in Revenue (Line 19/Line 20)				1.114829%
29					
30	Property Tax Conversion Factor = 1 / (1 - .01114829)				1.011274

REFERENCES:

Column [A]: Company Filing
Column [B]: Testimony JMM
Column [C]: Column [A] + Column [B]

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Schedule JMM-15

OPERATING INCOME ADJUSTMENT NO. 7 - INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY PROPOSED	RUCO ADJUSTMENTS	RUCO RECOMMENDED
1	Income Taxes	\$ (13,545)	\$ 13,545	\$ 0

REFERENCES:

Column [A]: Company Filing

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

Monthly Usage Charge	Present	Company Proposed Rates	RUCO Recommended Rates
<u>Meter Size (All Classes):</u>			
5/8x3/4 Inch	\$ -	\$ 53.00	\$ -
3/4 Inch	-	53.00	-
1 Inch	-	132.50	-
1 1/2 Inch	-	265.00	-
2 Inch	-	424.00	-
3 Inch	-	848.00	-
4 Inch	-	1,325.00	-
6 Inch	-	2,650.00	-
8 Inch	N/A	N/A	-
10 Inch	N/A	N/A	-
12 Inch	N/A	N/A	-
<u>Commodity Charge - Per 1,000 Gallons of Water Usage</u>			
Residential	\$ 5.8400	\$ 5.3144	\$ 13.8992
Commercial and Industrial			
Car washes, laundromats, Commercial, Manufacturing	5.7100	5.1961	13.5898
Hotels, Motels	7.6600	6.9706	18.2308
Restaurants	9.4600	8.6086	22.5148
Industrial Laundries	8.3900	7.6349	19.9682
Waste Haulers	171.2000	155.7920	407.4560
Restaurant Grease	149.8000	136.3180	356.5240
Treatment Plant Sludge	171.2000	155.7920	407.4560
Mud Sump Waste	535.0000	486.8500	1,273.3000

Utility Source, LLC - Wastewater Division
Docket No. WS-04235A-13-0331
Test Year Ended: December 31, 2012

Schedule JMM-17

Typical Bill Analysis
General Service 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	4,123	\$ 24.08	\$ 74.91	\$ 50.83	211.13%
Median Usage	3,500	20.44	71.60	\$ 51.16	250.30%
RUCO Recommended					
Average Usage	4,123	\$ 24.08	\$ 57.30	\$ 33.23	138.00%
Median Usage	3,500	20.44	48.65	\$ 28.21	138.00%

Present & Proposed Rates (Without Taxes)
General Service 3/4-Inch Meter

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	RUCO Recommended Rates	% Increase
-	\$ -	\$ 53.00	#DIV/0!	\$ -	#DIV/0!
1,000	\$ 5.84	\$ 58.31	898.53%	\$ 13.90	138.00%
2,000	\$ 11.68	\$ 63.63	444.77%	\$ 27.80	138.00%
3,000	\$ 17.52	\$ 68.94	293.51%	\$ 41.70	138.00%
4,000	\$ 23.36	\$ 74.26	217.88%	\$ 55.60	138.00%
5,000	\$ 29.20	\$ 79.57	172.51%	\$ 69.50	138.00%
6,000	\$ 35.04	\$ 84.89	142.26%	\$ 83.40	138.00%
7,000	\$ 40.88	\$ 90.20	120.65%	\$ 97.29	138.00%
8,000	\$ 46.72	\$ 95.52	104.44%	\$ 111.19	138.00%
9,000	\$ 52.56	\$ 100.83	91.84%	\$ 125.09	138.00%
10,000	\$ 58.40	\$ 106.14	81.75%	\$ 138.99	138.00%
11,000	\$ 64.24	\$ 111.46	73.50%	\$ 152.89	138.00%
12,000	\$ 70.08	\$ 116.77	66.63%	\$ 166.79	138.00%
13,000	\$ 75.92	\$ 122.09	60.81%	\$ 180.69	138.00%
14,000	\$ 81.76	\$ 127.40	55.82%	\$ 194.59	138.00%
15,000	\$ 87.60	\$ 132.72	51.50%	\$ 208.49	138.00%
16,000	\$ 93.44	\$ 138.03	47.72%	\$ 222.39	138.00%
17,000	\$ 99.28	\$ 143.34	44.38%	\$ 236.29	138.00%
18,000	\$ 105.12	\$ 148.66	41.42%	\$ 250.19	138.00%
19,000	\$ 110.96	\$ 153.97	38.76%	\$ 264.08	138.00%
20,000	\$ 116.80	\$ 159.29	36.38%	\$ 277.98	138.00%
25,000	\$ 146.00	\$ 185.86	27.30%	\$ 347.48	138.00%
30,000	\$ 175.20	\$ 212.43	21.25%	\$ 416.98	138.00%
35,000	\$ 204.40	\$ 239.00	16.93%	\$ 486.47	138.00%
40,000	\$ 233.60	\$ 265.58	13.69%	\$ 555.97	138.00%
45,000	\$ 262.80	\$ 292.15	11.17%	\$ 625.46	138.00%
50,000	\$ 292.00	\$ 318.72	9.15%	\$ 694.96	138.00%
75,000	\$ 438.00	\$ 451.58	3.10%	\$ 1,042.44	138.00%
100,000	\$ 584.00	\$ 584.44	0.08%	\$ 1,389.92	138.00%